

## FIGHT FOR 12-CENT COTTON.

## Twelve-Cent Prices are Justified by the World's Demands.

I beg space in your columns, Mr. Editor, to present a subject of the utmost importance to all our Southern country. There is no doubt in most thoughtful minds but that the South's cotton crop is going to be worth \$750,000,000 to the men who own it next spring, but it is worth only \$500,000,000 to the producers at present prices—and it is to save to Southern growers and to our Southern country this extra quarter of a billion dollars that the united energies of press and people should now be directed. The fundamental facts seem to me to be clear:

1. Cotton, even though the new crop of 1915 has started coming on the market, is still selling on the basis of prices fixed by last year's 17,000,000-bale crop.

2. These prices must soon be adjusted, however, to fit the conditions of a 12,000,000-bale crop (or probably only a 10,000,000 or 11,000,000-bale crop), and this adjusted price ought at the very least to reach 12 cents a pound for middling.

As briefly now, as clear argument will permit, I wish to point out and emphasize the truth of these statements.

## I.—The World's Demands Justify Twelve Cents.

Assuming even a 12,000,000-bale yield of Southern cotton this year (and it will probably be less), this year's world production will be 3,000,000 bales short of the world's conservatively estimated consumption during the coming twelve months. That is to say, the world will consume every pound of this year's crop and 3,000,000 bales of the present surplus.

Secretary Hester of the New Orleans cotton exchange estimates last year's Southern production (not the commercial crop) at 17,004,000 bales. The United States government estimate (16,134,930 plus 791,464 linters) is 16,926,349—practically 17,000,000 bales. This was over 2,000,000 bales in excess of the 1913 crop.

Now what happened with this bumper 17,000,000-bale crop in spite of all the demoralized conditions of trade and finance—the crop of which it was said last fall we should not export 4,000,000 bales? The facts are that the world used so much of it that the total world's visible supply of all cotton in mid-summer this year was only 5,435,168 bales against 3,522,276 bales the year before. In other words, with a 17,000,000-bale Southern crop to handle, the world's visible supply increased only 1,900,000 bales. What is going to happen this year then, with the South offering 5,000,000 or 6,000,000 bales less—and the production of other countries also decreased? And this query brings me to another point:

## II.—The World's Crop Prospects Justify Twelve Cents.

Mr. W. P. G. Harding, of the federal reserve board, early in the summer secured reports from consular officials all over the world indicating a total cut in the world's cotton crop this year of 5,000,000 bales, Egypt and India reporting "radical reductions in acreage." Since that time the prospects have further declined.

But even if we accept this early over-estimate of the crop we see that if last year's crop, being 5,000,000 bales bigger than this year's, yet increased the surplus only 2,000,000 bales, then this year's crop will leave a 3,000,000 bale deficit—to be drawn from the surplus.

The facts are, however, that even a 12,000,000 bale estimate for the South now seems too high. This is not simply my view, but the view of many experts, including so conservative and competent an authority as the New York Journal of Commerce which has just declared that in view of present conditions, "the yield seems likely to be nearer 10,000,000 than 12,000,000 bales." And now comes the Wall Street Journal itself quoting William S. Halliburton, of Daniel O'Dell & Co., as saying: "The current season's crop may be as low as 10,500,000 bales. It is entirely within the reach of present conditions that we shall see 12 1-2-cent cotton before the end of the season."

These two authorities base their estimates chiefly on condition reports from all over the South, but might have added the further testimony that the South cut its fertilizer consumption this year from 4,431,000 tons to 2,636,000 tons—almost half—and the effect of this cut will probably make itself most evident from now on as closer scrutiny is given the fruiting of the crop.

The reader can easily see for himself therefore, that if we have only a 10,000,000 bale crop, the factories of the world would utterly drain the market dry, leaving it subject to such conditions as occurred a few years ago when speculators carried prices to 17 and 20 cents a pound.

And now having pointed out that twelve-cent prices are justified be-

cause the 1915 crop is certainly 3,000,000 and possibly 5,000,000 bales short of the world's demands, meaning that factories and munition factories will consume all the present yield with the greater part if not all the world's visible surplus, I also wish to call attention to the fact that—

## III.—American Prosperity Justifies Twelve Cents.

The American Bankers' association has just been meeting in Seattle, Washington, and what was the message that the president of this greatest organization of financiers brought the country? He predicted, says a press dispatch, that "an almost unbelievable prosperity is rushing on the nation," or to quote his exact words:

"When bank reserves, which are greater now than they have ever been in the history of the country, are distributed, the nation will enjoy almost unbelievable prosperity. The volume of money on hand is so great that it cannot find a natural outlet. The movement of the tremendous crops, with the attendant financial activity, will still further increase the bank reserves."

And manufacturers are no less optimistic than bankers. The Factory Magazine, of Chicago, recently took a poll of 163 Eastern and Middle Western manufacturers as to the prospects for business in the fall. Forty, or practically one-fourth of the total number, declared conditions "exceptional," 23 "fine," or "above normal," 60 "good," 18 "fair" and "fairly good," only seven "dull and poor," and only one "much below normal and very poor."

Another point not to be overlooked is—

## IV.—The New Federal Reserve Act Insures Better Prices.

President Hirsch, of the Texas Bankers' association, told the big Cotton States conference of Southern bankers in Galveston: "For the first time in the history of the South, gentlemen, the Southern bankers have the financial ability to market gradually this crop. It would almost appear as if the federal reserve act had been drafted for the benefit of Southern producers." Just because the reserve act doesn't give the farmers all the help they need—just because it doesn't take the place, nor profess to take the place, of the much-needed rural credits legislation—is no reason for denying or minimizing the great advantages it does offer.

The federal reserve system does enable the banks in the South where money is needed, to draw upon the great reserves in other sections for making loans on the cotton crop; or as Mr. W. P. G. Harding, of the federal reserve board officially says:

"Banks have now ample facilities which they have never before enjoyed for rediscounting the notes taken against such loans, and it is for them more than for any other agency, to determine the policy of the South in regard to the marketing of the present cotton crop."

And President Woodrow Wilson in a letter to Mr. Harding writes: "It is evident from what you tell me, that the country banks with whom the farmer and other producers directly deal can get money at from four to four and a half per cent. . . I think that we can confidently expect that the banks in the cotton States and in the agricultural regions generally will content themselves with a rate not more than one or two per cent. above the rate which they themselves pay." It is up to the banks to justify this faith expressed by the head of the nation.

And the crop can be warehoused. Mr. Harding points out that even last fall the South had facilities for storing 11,577,465 bales, and these facilities have been greatly increased since then.

The next thing I probably ought to say is—

## V.—Twelve-Cent Prices are Justified, Contraband or No Contraband.

Of the 8,543,000 bales of American cotton shipped to Europe in the fiscal year ending July 31, 1915, only 242,000 bales went to German ports. Of course, there was more that went indirectly to Germany, but we must remember that a considerable part of Germany's normal demand for cotton was exported to Germany's foreign trade and that this trade will now be supplied by other countries. The contraband order may almost be termed infamous if England does nothing to compensate us for trying to make Southern farmers bear her burdens, but in any case to offset the contraband order we have (1) the greatly increased demand for cotton for war purposes, (2) the increased demand for American, English, and continental factories that must supply the trade formerly supplied by German mills, together with the fact (3) that Germany is almost sure to buy and store up cotton right here in America to hold until sea trade is reopened. Even with the contraband order in effect, therefore, twelve-cent prices are amply justified, whereas with open seas to all Europe, cotton would

likely bring 14 or 15 cents.

An able and eminent committee on arbitration ought to be named at once by England and America, to make a fair and just estimate of the damage in price per pound resulting from the "orders in council" and contraband order, and England should then be required to pay this amount per pound as a bonus to every American cotton producer this fall.

I confidently believe that if England should change her contraband rules so as to inflict corresponding injury upon any strong American manufacturing interest, some such settlement would be required; and Southern farmers should rise up and demand that the same recognition be given an agricultural industry as would be given a manufacturing industry.

The practical lesson clearly taught by present conditions then is—

## VI.—Farmers Should Hold for Twelve Cents and Bankers Should Help Them Hold.

Of course we must be reasonable. Don't expect bankers to lend on cotton not stored or insured, nor expect them to lend the full market value. Land-owning farmers of good character who have been depositors in banks, however, will frequently be able to borrow without such restrictions.

The thing to do is for farmers in every neighborhood to organize, formally or informally, for standing together in holding and marketing the crop, and find out just what the local banks will do. Last year it was repeatedly stated by the minority of bankers who were willing to lend money on cotton, that few farmers applied for such loans. Let not that be said this year. We must keep the crop from being rushed to market at present prices, and that means that farmers must avail themselves of all the cooperation afforded by banks—for many owners must have advances in order to meet pressing obligations. And let every farmer remember this: It hurts prices just as much for your neighbor's crop to be rushed to market as for your own crop to be. Consequently we should have neighborhood action everywhere, with the stronger farmers and plantation owners joining to help the weaker ones to hold, grade, warehouse and sell together.

Only by the most thoroughgoing cooperation of all forces can we save to the South the full quarter of a billion dollars of hard-earned wealth that will otherwise go into the hands of speculators and foreign interests. Nor must we fail to realize that the worst and most dangerous "bear" of all, the man we have most to dread right now, is not the Wall street speculator-devil who has been so often cursed and denounced, but the "bear" farmer right here in the South who is willing to prove traitor to the cause by offering to give away the crop at present prices—or the "bear" merchant or "bear" banker who forces him to sell. Yesterday morning's report of the New York cotton exchange, for example, announced that prices would have gone higher the day before but for the fact that—

"Some of the reports received from Georgia and Alabama predicted that farmers would sell freely at eight cents."

And again in the earlier reports of the New York cotton exchange just two days ago we also read that prices would have gone higher but "there was more Southern selling."

## Four Final Suggestions.

Let me conclude this argument for twelve-cent prices with four specific suggestions:

1. Let press and people spread the news that the crop is really short—certainly 3,000,000 and possibly 5,000,000 bales short of the world's needs.

2. Hold for twelve cents without borrowing if you can. But remember "it is committing business suicide" to refuse to borrow if you can thereby hold your crop.

3. Not only should cotton bring twelve cents but cottonseed prices should break all records. Our export trade in cottonseed oil has jumped over sixty per cent. in one year—from 192,000,000 to 318,000,000 pounds. And if good prices were paid for seed of a 17,000,000 crop, what sort of prices should we not demand for seed from a crop of only 10,000,000 or 12,000,000 bales?

4. With \$500,000,000 for her new cotton crop, the South will barely "pay out." With \$750,000,000 the whole section will have a jubilant and abounding prosperity. Bankers, merchants, and all classes, therefore, should join our farmers in the fight for twelve cent prices now and for a State warehouse system in every State to help insure fair prices in future years.—Clarence Poe, editor of the Progressive Farmer.

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